COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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| BILLING AND INFORMATION SYSTEMS TRANSITION TO COMPETITION | ) | D.T.E. 01-28 |

COMMENTS OF
FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
RELATIVE TO
PAYMENT ALLOCATION OPTIONS

## I. INTRODUCTION

Pursuant to instructions provided by Hearing Officer Andrew Kaplan at the technical conference of June 7, 2001, parties to the above proceeding were directed to provide comments to the Department relative to payment posting allocation and priority options presented at that conference. Parties' comments were directed to address the three proposals related to current cash posting priority options originally presented in Metering, Billing and Information Systems Rulemaking, D.T.E. 00-41 (2000).

## II. DISCUSSION AND COMMENT

The current cash posting priority consists of posting customer monies, first, to arrearages resulting from distribution company billings; second, to current distribution charges; third, to arrearages resulting from energy or generation supplier charges; and fourth, to current supplier charges.

FG&E continues to support this familiar and practical manner of cash posting, which it interprets to have been subsumed in the Department's decision in D.T.E. 00-41. Because of FG&E's continuing obligations to serve the customers in its service territory, an obligation that emanates from its statutory responsibilities as an electric distribution company, FGE must maintain control of its charges and arrearages in order to preserve its financial sanctity. It must also be responsive to and responsible for implementation of the Department's rules relative to termination and suspension of service.

The competitive suppler is not subject to these same regulatory burdens: it can choose its customer base; it can terminate service when a customer's arrears breach the terms of its service contract. Furthermore, no supplier is disadvantaged by this cash posting priority administered by FG&E, because each supplier has the option of electing pass-through billing, where they remain in full control, have access to customers and are responsible for both billing and collections of charges from each customer they serve.

The **FIRST PROPOSAL** for comment is to establish a cash posting priority that would require distribution companies to post customer monies first to distribution company arrearages, second to supplier arrearages, third to the distribution company's current charges and fourth, to the suppliers current charges. In FG&E's view, this option is not preferable to the current cash posting priority system.

FG&E serves a combination of gas and electric customers and has a unique situation in this regard. Many customers receive both gas and electric service from FG&E, and remit a single payment for services rendered. This proposal presents various problems, the most prominent of which arises in the event a single customer chose an external supplier to supply its gas commodity but remained on default service for its electric supply. If there were arrearages or a less than full payment, how would FG&E's gas distribution or electric distribution charges be paid? How would FG&E allocate such payments between its operations and the competitive supplier?

In spite of the irregularities of this proposal, it is the most palatable of the three alternatives if one is to be chosen. This cash posting priority system would require only minor computer and customer information system programming changes that can be accomplished in-house, at an estimated cost of approximately $2,000.

The **SECOND PROPOSAL** for comment asked for reactions to Department implementation of a pro rata method of cash payment posting priority. For example, if a customer owes $100 on a bill which includes $60 in services to a competitive supplier and $40 in services to the distribution company, what priority would apply if the customer makes a $50 payment? Under a pro rata scenario, each entity would receive its pro rata share of the whole payment posted. Therefore, the competitive supplier would receive $30 and the distribution company would receive $20.

FG&E has a number of concerns with this proposal. First, it is FG&E's belief that the customer's interests would not be well-served because this method would bring disconnection action sooner than if FG&E were applying the payments to distribution services first. For example, if a customer seeks refuge from FG&E for a disconnect notice, and is told that a payment of $100 will forestall disconnection, the cash posting priority method in use would not permit the full $100 from the customer to address the immediate threat of disconnection. No matter what, the customer will need to remit whatever amount addresses the cash posting sequence *and* the amount required by FG&E to forestall a disconnection.

Next, some customers may nevertheless be able to change this cash posting sequence to the disadvantage of the supplier. To avoid disconnection, under current posting policies, a customer need only advise FG&E to manually apply their payment to the distribution portion of the bill. This would be time consuming for FG&E because it would involve manual instead of the automatic posting, would not apply in all situations (e.g. lockbox), and ultimately would eliminate the preference that suppliers seek for their payments.

In spite of these disadvantages from a business and policy standpoint, the costs involved in this option would be minor, as well. The programming changes to bring about pro rata posting can be accomplished by in-house technical staff for an estimated cost of approximately $2,000. However, as identified above, additional labor costs would be incurred if customers began gradually shifting to multiple and frequent requests for manual attribution of payment posting. Such labor would include: comprehensive review of all receipts, segregation of manual payments, separate and special processing of manual payments. While it has not done so for the limited purpose of supplying comments in this proceeding, FG&E will estimate the on-going labor costs after a full review of implementation hurdles if and when the Department approves this cash posting sequence.

The **THIRD PROPOSAL** for comment asked for reactions to purchasing or selling receivables. FG&E is not in favor of, nor does it have any current plans to, sell its receivables. Nor is it in favor of another company purchasing its receivables, for a very basic reason. FG&E bears the universal service obligation and its present rates subsume a level of bad debt that is shared by all customers. Simply shifting the bad debt responsibility back and forth from a competitive supplier to the distribution company, or vice versa does not advance the goals of bringing competition to current electric and gas customers. FG&E's information, both anecdotal and from industry sources, indicates that, depending on the age of the receivables, both the competitive supplier and the distribution company have a greater opportunity to recover arrearages if traditional collection activities and parties are utilized.

## III. CONCLUSION

Fitchburg Gas and Electric Light Company, therefore, supports maintenance of the original form of cash payment posting priority, as described by the Department in its Order in Phase I, D.T.E. 00-41.

DATED: June 29, 2001

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# CERTIFICATE OF SERVICE

I, Scott J. Mueller, hereby certify that I have, this 29th day of June, 2001, served a copy of the within Comments of Fitchburg Gas and Electric Light Company Relative to Payment Allocation Options on each of the individuals on the service list on file with the Secretary of the Department of Telecommunications and Energy for D.T.E. 01-28.

Dated at Boston, this 29th day of June, 2001.

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Scott J. Mueller

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